

Policy for managing conflicts of interest

Banque Degroef Petercam S.A. has drawn up a policy for the prevention and management of conflicts of interest, in accordance with the European directives and regulations and the Belgian rules in force, in order to guarantee the best interests of its clients.

A “conflict of interest” is a conflict that arises when two or more natural or legal persons have opposing interests that could result in a potential loss or disadvantage to the client.

The policy applies to conflicts of interest, potential or otherwise, that may arise:

- Between the Bank and the client;
- Between different clients;
- Internally, within the Bank (including within the various entities of the Degroef Petercam Group).

The Persons Concerned to whom the policy applies are the Bank, its employees, directors, members of the Executive Committee, its related agents and their employees and to persons and companies directly or indirectly linked to the company by a controlling relationship (as defined by the Belgian Companies Code).

This note is a summary of the policy; it consists of three parts:

- 1 **The identification of situations** that give rise to or are likely to give rise to a conflict of interest that could affect the interests of one or more clients;
- 2 **The definition of the procedures** to be followed **and the measures** to be taken to prevent or manage these conflicts;
- 3 The measures to be taken in the **event of possible conflicts of interest**.

1. IDENTIFICATION OF CONFLICT OF INTEREST SITUATIONS

Banque Degroef Petercam has drawn up lists of situations that generate, or are likely to generate, conflicts of interest. It should be noted that the lists included in this document are not exhaustive and, therefore, do not cover all conflict of interest situations that may arise in practice. A more detailed list, which is internal to the Bank, has been drawn up on this point.

A distinction must be made between “general” conflicts of interest and conflicts of interest “by service or activity”.

With regard to **general conflicts of interest**, the following situations in particular are taken into account by the Bank:

- The Person Concerned is likely to *make a financial gain or avoid a financial loss* at the expense of the client;
- The Person Concerned has an *interest* – which is *different* from that of the client – *in the result of a service provided* to the client *or a transaction* carried out by the client;
- The Person Concerned is encouraged to *give priority to the interests of another client* or group of clients, to the detriment of the client concerned;
- The Person Concerned carries out the *same professional activity* as the client;
- The Person Concerned receives or will receive from a person other than the client an incentive in connection with the service provided to the client in the form of monetary or non-monetary services or benefits;
- The Person Concerned performs *several functions* within the Bank and/or outside the Bank that *present conflicts of interest* with respect to each other;
- The Person Concerned is *aware of information likely to significantly influence* the price of a financial instrument;
- The Bank's relationship *with intermediaries* that it uses to offer diversified investment products has a *negative impact* on the client's interests.

The Bank has also drawn up a detailed inventory of potential conflicts of interest by activity or by service.

2. THE MAIN PROCEDURES AND MEASURES IN PLACE TO PREVENT AND MANAGE CONFLICTS OF INTEREST

The Bank has adopted measures to identify, prevent and reduce conflicts of interest that could potentially arise. These procedures also make it possible to ensure that the interests of the Bank or the clients concerned are not unfairly privileged in the event of a conflict.

Where appropriate, if the conflict of interest cannot be resolved in a way that is fair to the client, it is stipulated that the client is to be notified by the Bank before the service is provided, in order to work together with the client, to find a solution that is in line with its interests (see below, point 3).

The various procedures and measures fall into two categories: there are **general procedures**, applicable to all departments and services, and there are so-called **specific measures**, which apply only to specific activities and/or services within the Bank.

2.1. General measures and procedures of the Bank

There are a total of 10 types of general measures in place to ensure, among other things, the integrity and independence of the Bank's representatives.

1) **Separation of activities likely to generate conflicts of interest**

The Bank is divided into departments. Each department develops its activities independently. In addition to this aspect, each department has its own management, physical compartmentalization and, if necessary, specific measures aimed at establishing the framework for certain activities or transactions. For example, Chinese Walls¹ are erected between certain activities and/or services.

2) **Limiting the transmission and use of confidential and privileged information**

The Bank applies strict rules in this regard. The disclosure of confidential information is made only on a "need to know" basis and that the recipient is informed of the confidential nature of the information.

3) **Measures to ensure the integrity and independence of the Bank's representatives**

These measures are intended to prevent the inappropriate influence of third parties, to which certain persons acting in the name and/or on behalf of the Bank could be subject. These persons also receive specific communications or training in this field.

4) **Personal transactions of employees and managers**

Specific limitations are applied to transactions in financial instruments carried out by the Bank's managers and staff on their own account. In this respect, there is a general prohibition on trading on a securities list in order to avoid any conflict of interest. The Bank also makes use of insider lists drawn up and updated in accordance with the European regulations in force.

5) **Supervision of external functions of staff and managers**

Measures have also been taken in the context of Bank employees accepting external mandates to prevent any conflicts of interest that may arise during the exercise of such mandates.

6) **Remuneration policy**

In addition to the establishment of a Remuneration Committee, whose mission is to prevent and remedy conflicts of interest related to the remuneration of employees of the Bank and its subsidiaries, two types of policies have been implemented within the Bank:

¹ These are virtual barriers that make it possible to block the exchange of information.

- ▶ A *global* remuneration policy for all employees;
- ▶ A *specific* compensation policy, applicable to "identified staffers"¹.

The application of these two policies is also monitored on a regular basis.

7) **Complaint management**

The new policies put in place by the Bank make it possible to have an overview of the complaints lodged by client. This overall view makes it possible to assess different types of risks, including situations that could generate a conflict of interest. The necessary information on this subject is available on the Bank's website.

8) **Incentives ("inducements")**

Naturally, when receiving incentives, the Bank must act honestly, fairly and professionally in order to safeguard the best interests of its clients.

To this end, several measures have been put in place, including:

- ▶ A "Product approval process", which makes it possible to assess the possible occurrence of risks (including the risk of conflicts of interest) when introducing new products and services.
- ▶ Several measures concerning the handling of funds. For example, all funds must be treated in the same way, so that the Bank has no financial incentive to sell one fund over another. In addition, differences between fund retrocessions and incentives for other products should not create significant incentives to sell one fund/product rather than another, etc.
- ▶ Ex-post controls, in which sales concentrations in funds for which the Bank receives higher retrocessions are verified.
- ▶ Special arrangements within the framework of the Bank's discretionary management services, which must either use funds and share classes without retrocessions, or pay back to clients the retrocessions received and inform the clients of this.
- ▶ Measures are also provided for under the "non-independent"² investment advice provided by the Bank. The Bank may receive incentives from third parties in this context, subject to certain conditions, including, in particular, prior notification of the clients concerned with respect to the receipt of such incentives. Thereafter, the Bank remains obliged to be transparent with respect to retrocessions when providing investment or ancillary services; the Bank is required to disclose information relating to these retrocessions³.
- ▶ An internal list of all rights, commissions and non-pecuniary benefits received by the Bank from third parties, with an explanation of the justification for each incentive, and the measures taken to ensure that the interests of clients are not jeopardized.

9) **Gifts and entertainment**

Strict rules (including an internal code of conduct) have been put in place to ensure impartiality. For example, a system for declaring gifts and entertainment has been developed, as well as a two-step pre-approval procedure for gifts above a certain amount. Moreover, cash is prohibited in all cases, as well as certain gifts or bequests that do not comply with predefined conditions.

In addition, the Bank also ensures that its employees do not attempt to influence others in this way.

¹ In Article 67 § 2 of the Law of 25 April 2014 on the status and supervision of credit institutions and brokerage companies, these identified staffers are defined as follows: "In addition to the members of the legal administrative body (...) the categories of personnel whose professional activities have a significant impact on the risk profile of the institution, including senior management and persons occupying a function involving risk-taking, persons occupying independent control functions and employees whose total remuneration places them at the same level as senior management or persons occupying a function involving risk-taking".

² This involves advice on financial instruments that are issued by entities with which the Bank has signed collaboration or distribution agreements.

³ This information relates to the existence, nature and exact amount of retrocessions. If the Bank is unable to determine the exact amount, it must then indicate in a complete, accurate and comprehensible manner the calculation method used, and will subsequently communicate this amount.

10) **Outsourcing**

With respect to outsourced functions, the Bank is required to take appropriate measures to manage conflicts of interest arising from outsourcing.

2.2. **Specific measures and procedures related to the Bank's activities and services**

In addition to the general measures set out above, the Bank has also developed a series of more specific measures to address specific issues related to the risks of conflicts of interest that could arise in certain departments or activities.

Examples of specific measures:

- All activities within the Bank's trading room have been organized as separate "desks". This makes it possible to ensure the separation of these different activities, even though they are within the same department.
- The different types of financial services are provided by separate teams, each of which defines its own strategy independently. Each team is required to deliver advice that meets the suitability and appropriateness requirements established by the MiFid II¹ Directive (compatibility of the products advised with the client's investor profile, etc.).
- In order to prevent conflicts of interest, the Bank has spun off its corporate finance activity (separated from the Bank by "Chinese Walls") into Degroof Petercam Corporate Finance (DPCF). DPCF for its part, has established a policy and measures concerning its advisory activities in the area of corporate financial strategy.
- The Bank sets up "Chinese Walls" in order to avoid the use of privileged or confidential information in the underwriting and/or placement of financial instruments, as well as execution and research services. Adequate controls are also in place to detect any potential conflict of interest arising between these activities and between its various clients receiving these services. In addition, the Bank has a centralized process for identifying the above transactions and recording this information. Finally, the Bank has also put in place internal mechanisms for setting the offer price when financial instruments are issued.
- Specific procedures and measures² are applied to the financial analysis department whose reports are intended for professional clients, which is required to comply with its own code of conduct, in order to guarantee the independence and objectivity of analysts and to ensure that their recommendations are formulated fairly, while mentioning possible conflicts of interest or other personal circumstances.
- Financial planning (Estate Planning) is handled exclusively by the "Wealth Structuring and Estate Planning" department, which is also separated from the other departments by "Chinese Walls" and has its own specific measures to guarantee the independence of its members.
- In the interest of its clients, the Bank is committed to recommending and using a sufficient range of financial instruments available on the market, and not only investment products that are managed by Group companies. In this respect, the producers of financial instruments are chosen not according to the potential financial benefit they could offer but according to their quality and the products they can provide.

3. MEASURES TO BE TAKEN IN THE EVENT OF ANY CONFLICTS OF INTEREST

Measures have been put in place in the event that conflicts of interest arise despite the various organizational and administrative precautions taken by the Bank.

If a conflict of interest arises, any person who notices it must immediately notify his/her direct superiors and the Compliance Department, which will inform the Executive Committee. The Executive Committee, acting on the advice of the Compliance Department, will decide on the measures to be taken.

¹ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

² These various measures are taken in accordance with Delegated Regulation (EU) 2017/565 of the European Commission of 25 April 2016 supplementing Directive 2014/65/EU (see above) as regards organizational requirements and operating conditions applicable to investment firms and the definition of certain terms for the purposes of this directive.

In the event of a conflict of interest, the Bank may take the following measures:

- carry out the transaction giving rise to a conflict of interest while taking the necessary measures to manage the conflict of interest without prejudicing the interests of the client concerned;
- not carry out the transaction involving a conflict of interest.
- It is possible that the organisational or administrative measures taken by the Bank to prevent conflicts of interest from affecting the interests of its clients may not be sufficient to ensure, with reasonable certainty, that the risks of affecting the interests of clients will be avoided. In such a situation, the Bank shall clearly inform clients before acting on their behalf and/or for their account of the general nature and/or source of such conflicts of interest, as well as the measures taken to mitigate such risks, on a durable medium.

4. REGISTER OF CONFLICTS OF INTEREST

The Bank maintains and regularly updates a register recording the types of investment or ancillary services or specific activities for which a conflict of interest involving the risk of harming the interests of one or more clients has occurred.